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FM AMEMBASSY MANILA

TO RUEHC/SECSTATE WASHDC IMMEDIATE 4142

INFO RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE

RUCPDOC/USDOC WASHDC IMMEDIATE

RUEAWJB/USDOJ WASHDC IMMEDIATE

RUEHZU/APEC COLLECTIVE IMMEDIATE

UNCLAS MANILA 001060

SENSITIVE

SIPDIS

STATE FOR EAP/MTS, EAP/EP, EEB/IFD, AND EEB/TPP/MTA/IPC

STATE PASS USTR FOR BWEISEL, RBAE AND KEHLERS

STATE PASS USAID, OPIC, USDA

BANGKOK FOR JENNIFER NESS

TREASURY FOR OASIA

USDOC FOR 4430/ITA/MAC

USDOC PASS USPTO

E.O. 12958: N/A

TAGS: ETRD KIPR ECON RP

SUBJECT: Health Department Patent Remedies to Cut Drug Prices

¶1. (SBU) Summary: The Philippine Department of Health is close to ordering pharmaceutical companies to stop marketing their products with discount cards, seeking to require companies instead to sell to all customers at the lowest price already available. The pending order may stem from frustration among legislators that the year-old Cheaper Medicines Act has not led to lower retail drug prices, and particularly from Senator Manuel Roxas' desire to kick-start his presidential campaign. End summary.

¶2. (U) Many international pharmaceutical companies distribute discount cards as a marketing tool in the Philippines. Philippine law prohibits advertisements for prescription medicines, so a number of companies have issued the cards to doctors, who distribute them to their patients. Patients present the card together with the doctor's prescription at pharmacies, and receive discounts on the full retail price of the prescription. In many cases, the discount amounts to over 50%. Pharmaceutical companies claim that the cards encourage patients to consult doctors instead of self-medicating, and assist patients to take the full course of a medication instead of just one or two doses and stopping. Discount cards have now become part of the debate over the implementation of the Cheaper Medicines Act.

¶3. (SBU) The Philippine Congress passed the Cheaper Medicines Act in May 2008. On this first anniversary, media and legislators have noted that the retail prices of drugs have not fallen over the past year. Political pressure is again building for lower drug prices. During a May 12 hearing, Senator Manuel Roxas, the sponsor of the Cheaper Medicines Act and a 2010 presidential candidate, told Department of Health officials he was giving them two weeks to lower medicine prices. Soon afterward, the Health Department seized upon banning discount cards and requiring drugs to be sold at the discounted price as a quick fix.

¶4. (SBU) Pharmaceutical companies have expressed varying degrees of worry about the proposal. Pfizer, whose marketing in the Philippines centers almost exclusively upon its discount card, requested a meeting with Embassy to seek our intervention. Pfizer claims that over 80% of its local sales are to cardholders. GlaxoSmithKline also uses discount cards in the marketing of its patented medicines, although with off-patent drugs, its strategy focuses upon direct price reductions. Merck told us that when the Department of Health banned new card-based discount programs in 2005, it saw the writing on the wall and began to wind down its card program.

¶5. (SBU) While Pfizer, due to its marketing strategy, is the most affected, all three companies complained of their frustration with

repeated arbitrary policy changes by the Department of Health. GlaxoSmithKline pointed out that the Health Department card policy would establish maximum retail prices on specific brands, but according to the Cheaper Medicines Act, only the President can impose price controls and they must be placed upon classes of drugs based upon the compounds in them.

¶6. (SBU) Comment: Senator Roxas can be counted upon to continue pressing for quick pharmaceutical price reductions, as the passage of the Cheaper Medicines Act is one of the key accomplishments he points to in preparing for the presidential run. We will ensure in upcoming meetings with government officials that they realize that we are interested in the issue and that such extra-legal actions as imposition of price controls via arbitrary Department of Health actions would be unacceptable.

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